

# **TELFORD & WREKIN COUNCIL**

**CABINET - 8th DECEMBER 2008**

**SERVICE & FINANCIAL PLANNING: 2009/10 – 2011/12**

**REPORT OF THE CHIEF EXECUTIVE & CORPORATE DIRECTOR: RESOURCES**

## **1.0 PURPOSE**

To outline a Service & Financial Planning strategy for the period 2009/10-2011/12 including specific budget proposals for 2009/10, for further consultation

## **2.0 RECOMMENDATIONS**

Members are asked to approve the report's service and financial planning strategy proposals for further consultation

## **3.0 SUMMARY**

The report outlines the Service & Financial planning context in which decisions on the 2009/10 budget and medium term strategy will need to be taken. It highlights the wide variety of challenges facing the area, particularly the impacts of:

- Instability in the global financial markets
- The deepening international recession
- Currently high inflation levels
- The collapse in the housing market and subsequent decline in house building activity
- Increasing pressures on Council services

The Council is proposing a prudent strategy to face the many uncertainties next year while keeping major projects moving forward which will support the local economy both now and for the future prosperity of the area .The Service & Financial medium term strategy proposed is to:

- Endorse the existing strategy for council tax increases of year on year reductions in the level of council tax increase falling to below 3.5% by 2010/11
- Endorse the existing strategy of using below £1m pa balances as part of the funding for the ongoing net revenue budget
- Endorse the existing 3 year investment programme with a major review as part of the 2010/11 service & financial planning strategy which will look at 2011/12 and beyond as well
- Agree the £3m savings package for 2009/10 and target of at least £3m for 2010/11.
- Agree the medium term savings programme approach outlined in 6.3
- Endorse the existing provision of £1m set aside from reserves for invest to save though this level can be reviewed as part of the process
- Agree a £1m additional one off contingency to cover the increased uncertainties to which the Council is exposed next year , to be funded primarily from Treasury surpluses being generated in 2008/09.

The Council will now embark on the next stage of its consultation process leading to final budget and council tax decisions at 24th February Cabinet and 5<sup>th</sup> March Council.

## **4.0 STRATEGIC & POLICY CONTEXT**

### **4.1 Current Strategy**

In March 2008, the Council approved a 3-year Service & Financial Strategy which set out the guiding principles which would underpin our approach to managing our Budget, the priority policy objectives which would inform our funding decisions, and an outline investment and savings programme. First and foremost, this strategy was about ensuring that we put in place the necessary resources to fund the services, projects and initiatives that will support, protect and improve the quality of life in the Borough in the short, medium and longer-term. Indeed, key areas where significant additional investment has already been made in 2008/09 include:

- Adult social care services;
- Social Care Services for children and young people, free education provision in all Early Years settings, and the continued roll-out of Children's centres;
- Maintenance programmes for roads, footways and streetlights;
- Social housing initiatives;
- Additional capacity to take forward our economic development and regeneration strategies and to co-ordinate/progress our work on improving skill levels across the Borough;
- Provision of plastic recycling banks;
- Improvements to Telford Town Park and an extended programme of events;
- Major land stability works in Ironbridge Gorge;
- Funding a Locality Manager for the rural areas;
- A new telephone Contact Centre at Civic Offices to improve our customer services.

**4.2** In putting in place this strategy, we were very clear that the Council was facing a difficult 3 years with many competing demands on our resources both to sustain current levels of service and to invest in new initiatives and projects for the future benefit of our community. The declining national and international economic position - and, in particular, the speed, diversity and volatility of issues and challenges it presents - has exacerbated the challenges we face. We are also very aware of the many difficulties and pressures it has placed on the people, businesses and organisations in the Borough. Our approach has always been to review our corporate strategy on an annual basis and current events have only served to heighten the importance of this refresh process.

**4.3** Over the past few months, we have been reviewing, updating and refreshing our current strategy and policy framework. Our focuses for 2009/10 are to:

- ensure that our strategy remains fit-for-purpose in that it takes account of new or emerging issues, pressures or changes - the issues and impacts on the community of the current economic/housing/'credit crunch' in particular;
- review our current investment package in the light of the evolving policy and resourcing landscape;
- review existing service budgets to explore and identify opportunities to realise significant efficiency and other cost savings that we need to ensure that we have a robust and sustainable medium-term service and financial strategy that

will minimise Council Tax increases as far as possible and enable investment and delivery on key priorities;

- commence work on a longer-term and more fundamental organisational programme of reviews across the organisation to identify further savings and efficiencies.

#### 4.4 Vision and Priorities Framework going forward

For any organisation to be effective and successful, it must ensure that its resources are planned and managed well. The Council's Service and Financial Planning process is the key way in which we bring together our assessment of key issues, the community's needs and expectations, local, national and regional policy drivers and opportunities, other service issues and pressures and service performance information alongside the revenue and capital resources that are available to us.

In looking to take stock of these issues/opportunities and consider and refresh our strategy, the Council's starting point is the Local Strategic Partnership's **Vision and Community Priorities** that have been developed in consultation with the community. Our overall Vision for the Telford & Wrekin community is of:

***"A successful, prosperous and healthy community which offers a good quality of life for all the people of Telford & Wrekin"***

Within the context of our overall Priorities framework, we felt the need, in our strategy, to identify clear and tangible **priority policy objectives** in our strategy where we assessed that the Council must make a real and positive difference and focus resources – and can only achieve this through extra funding - to improve quality of life and service delivery and put in place the means to realise our and the community's ambitions for the Borough. These are:

- **Tackling crime , anti-social behaviour and alcohol misuse**
- **Protecting and maintaining services for older people and vulnerable adults and children**
- **Delivering high quality education services and facilities**
- **Regenerating and improving our Borough towns and most deprived communities**
- **Promoting growth and prosperity**
- **Maintaining, protecting and improving the local environment and our rural areas**
- **Enhancing customer service and improving organisational efficiency.**

#### 4.5 Understanding Key Issues and Challenges

Over the past few months, we have been reviewing, updating and refreshing our current corporate strategy and policy framework.

From our re-assessment of our current corporate strategy and policy framework, it is clear that there are two main issues which need to be at the forefront of our policy agenda – care services for adults and children and the economic and housing downturn/'credit crunch':

**- Care Services**

As indicated above, we identified 'protecting and maintaining services for older people and vulnerable adults and children' as one of our key priority policy objectives last year. This is an area where demographic pressures, the rising cost of care packages and the complexity of care packages place significant demands on our resources. These are also vital services where we, particularly in relation to safeguarding our most vulnerable children and adults, must be constantly vigilant – the tragic case of 'Baby P' in Haringey underlines this. We must continue to be consistent in the planning, delivery and resourcing of these services and are looking where possible, to further improve our performance in key areas.

### **- *Economic/Housing Downturn***

The current economic and housing downturn is an issue of fundamental importance that has emerged much more profoundly in the past few months. Also, there is a clear message from the Government – and internationally – that the public sector, at this time, needs to lead and show confidence particularly in relation to capital investment.

The impacts and implications of the downturn are wide across the community and our priorities and services and seem likely to manifest themselves for at least the remainder of our medium-term planning period. We examine the impacts on the Council itself in the 'Financial Context' section of this report. In terms of impacts in the community to date, it is felt that the Borough, along with the rest of the country, is still in the early days of seeing the full potential effects of a recession. However, issues from across the Borough that we are already aware of, in addition to the wide-ranging increases in the cost of living, include:

- Stagnant housing market as evidenced by a significant reduction in Local Land Searches enquiries due to a large extent on the restricted availability of mortgages;
- Limited new house building, delayed completion of existing building schemes, and little progression of new private and public development schemes;
- A slight increase in unemployment so far (up to 2.6% but which remains below the regional average. Some higher rates in our more deprived wards at 5% in Cuckoo Oak and 5.6% in Malinslee). The general view nationally is that currently there is a time lag between the onset of recession and redundancy with greater impacts being seen from early 2009;
- Some increase in acquisitive crimes;
- Inward investment enquiries have all but dried up;
- Some increase in the number of Council tax and Housing Benefit applicants;
- Reductions by employers in investment in skills training.

In terms of our current strategy, we have put ourselves in a good position through the great importance and emphasis that we have already placed in our priorities on securing economic prosperity, increasing skills, regeneration and seeking to attract investment in the necessary infrastructure and facilities through planned and sustainable growth. The work that we are progressing in relation to strengthening our economic development capacity, progressing the development of the Town Centre and regeneration of the Borough Towns and key targets in our Local Area Agreement (though many of these will prove even more challenging to achieve in the current conditions) are essential elements of delivering future success.

Our work in the West Midlands region and through the City Region are also important e.g. through the City Strategy we have secured c.£350k to help train and get into work unemployed people and those claiming benefits in some of our most deprived wards.

An area where we feel that we need to raise further up our list of priorities is in relation to Housing. The Council is currently working to develop and seek resources for a package of both short and longer-term measures to stimulate and support the local housing market (both public and private), address homelessness concerns and link more closely housing market development, growth and regeneration. In particular, we will be looking to work closely with the new Housing and Communities Agency, Registered Social Landlords, and Advantage West Midlands. This package of measures will be announced in the near future.

Our long-term Vision and Community Priorities clearly provide a framework through which to identify key issues, pressures and investment priorities. It is very evident that the Council, in its dual roles of community leaders and major public service deliverer, must address three key focuses:

- **making and/or securing investment to create and sustain the long-term economic prosperity and success of the Borough and the realisation of Vision 2026; and**
- **ensuring that current levels of service provision and facilities are fit-for-purpose to meet the needs and expectations of our community and enable people to enjoy a good quality of life;**
- **Working to mitigate the effects of the economic downturn within the Borough and planning for the recovery by seeking to put in place the right policies and plans which will enable the Borough to be well-positioned to come out of the recession earlier and stronger.**

At this time, the whole of the public sector has a crucial role to play in showing confidence, leadership and investment in the future of the area. Only this way can we hope to protect, bolster and strengthen the local economy and place Telford & Wrekin in the best position possible to grow and prosper in the years ahead.

## **5.0 FINANCIAL CONTEXT**

### **5.1 2008/09 Budget Strategy**

The current year's budget was based on funding from the first year of a 3 year government grant settlement which was announced in December 2007 and covers the period 2008/09-2010/11.

The Council received a good grant settlement but is still losing over £7m of its grant entitlement through the grant damping mechanism in 2008/09 and even by 2010/11 will still be losing over £5m pa....a total loss of around £18m funding over the 3 years.

With greater grant certainty from this first 3 year settlement the Council was able to agree a 3 year strategy in March 2008 including:

- A 3 year investment package with a net revenue budget impact of £3.6m now rising to £7.6m by 2010/11
- A strategy of additional savings of £3m pa i.e. rising to cumulative ongoing savings of £9m annually by 2010/11. This included a detailed package of proposed savings for 2008/09 totalling £3.06m

- Use of £1.23m balances in 2008/09 falling to below £1m pa by 2010/11
- A 2008/09 council tax increase of 4.3% falling annually to an increase below 3.5% by 2010/11

## **5.2 Medium Term Planning Context**

The Council is now reviewing its current 3 year strategy to 2010/11 and rolling it forward to consider the period of the next 3 year grant settlement from 2011/12 to 2013/14. There will be a particular focus on 2011/12 which will form year 3 of the new 3 year planning window.

### **Economic Uncertainties**

The current planning takes place against a backdrop of significant uncertainties facing the Council from a combination of global financial instability, a deepening recession and high inflation just starting to pass its peak. These are already having significant impacts on the Council's services and budgets but many implications will only become clearer as the weeks pass and current volatilities hopefully subside. At present this makes projections for next year less certain than usual, while projecting the next 3 years is more problematic still.

The Council has navigated itself through the unprecedented volatility and instability in the global financial markets this financial year and looks likely to deliver a considerable outperformance of its budget for Treasury activities in 2008/09. However projected returns are already falling for next year though still difficult to project as markets are still a long way from 'normal' interest rate relationships and liquidity levels. It would be prudent to carry some of this year's bonus over into 2009/10 as additional contingency against the many uncertainties we face.

The Council is currently assessing the impacts of the Pre Budget statement announced by the Chancellor on 25<sup>th</sup> November though many of the details affecting the Council are still filtering through now from various Government departments and will be fed into final budget proposals in February.

### **Inflation**

Rising inflation saw CPI rise to 5.2% in September (RPI also stood at 5.0%) and this has had a significant impact on many areas of the Council's budget, the most extreme being the energy contract for street lighting up 60% and gas supplies up 66%. The latest indices show increases on the turn in October with CPI falling sharply to 4.5% and RPI to 4.2% with further reductions predicted as the recession bites. The impact of falling inflation on individual goods and services which make up the Council's own spending is, as with many facets of the Council's budget at the moment, difficult to project.

### **Service Impacts**

The recession, rising unemployment and difficulties in the Housing market are likely to bring rising demands on key services such as homelessness, housing benefits, social services, community support etc. on top of the longer term trends of changing demographics including an ageing population. Some of these pressures are already showing through in current year monitoring. There are likely to be impacts on income collection though this is currently holding up well for revenue flows-its in the area of

asset disposal receipts that the effect is already evident and the capital programme is being phased to match with available resources.

There is already a widening gap between Housing growth targets and actual delivery as developers put planned schemes on hold both nationally and locally. The increasing pressure on Council resources is likely to be mirrored in the finances of local partners who are working with us on a range of jointly funded initiatives. It will be important for the local economy to keep major developments moving forward but adjusting timescales and proposals to match resources.

## **Government Grant**

The last year of the current planning period -2011/12 is particularly difficult to forecast as on top of assessing the impacts on Council budgets in two years' time from the economic impacts above, uncertainties around government funding levels come to the fore again:

- A new 3 year grant settlement, including grants for 2011/12, will not be known until around December 2010
- A new Comprehensive Spending Review takes place in 2009 setting new public sector planned spending totals for 2010/11-2012/13,
- The current economic downturn on top of existing pressures on public sector finances is still likely to lead to a much tighter grant settlement for 2011/12 and after than at any time in over a decade
- A general election and potential change of government is due by 2010 at the latest
- Results of the review of the distribution formula for Dedicated Schools' Grant will be announced in 2010 for implementation in 2011/12

The government grant for 2009/10 and 2010/11 forms part of the 3 year settlement announced in December 2007 but at this stage remains provisional with final figures announced each year on the normal timescales. An announcement on the provisional grant settlement for 2009/10 was made on 26<sup>th</sup> November confirming the original totals announced in December 2007 .Information on other impacts from the Pre Budget statement on 25<sup>th</sup> November is still filtering through.

## **6.0 SERVICE & FINANCIAL PLANNING STRATEGY**

### **6.1 Guiding Principles**

In our October report, Cabinet endorsed a set of draft of guiding principles upon which it was proposing to base its medium-term strategy. Views on these principles were sought as part of our consultation programme. Generally there was strong community support for these so the draft strategy now put forward for consideration is based on the guiding principles of:

- Adopting an approach to resource allocation which acknowledges the **diverse needs of different parts of the community but ensuring that the Council operates in an even-handed way and spreads resources** fairly and transparently across the Borough;
- Putting forward **a package of policy proposals and service investments** that are informed by and address key community and organisational needs, expectations and priorities;

- **Minimising the impact of savings proposals on key frontline services as far as possible where these** would harm service quality and impact adversely on service users.
- Setting **an efficiencies and service savings target of at least £3m p.a.** to help minimise Council tax increases and to enable reinvestment in service priorities which will include **service redesign and an invest to save strategy**;
- Continuing to work hard to **attract external funding and investment to support key priorities and projects**, through external grant aid and generating additional income and investment;
- Adopting an **asset rationalisation and disposal programme** to review property needs, to reduce operational costs and realise capital receipts to fund key investment priorities;
- **Seeking to minimise the level of Council Tax increase** but balancing that with the growing demands on Council services and costs, and minimising service cuts;
- Using a **prudent balances strategy**, informed by a risk assessment of all reserves and balances, to help minimise Council Tax increases, secure key investments and protect service delivery.

These guiding principles will remain broadly in place. A further key principle that we will add, however, is around **seeking to build in flexibility in our resource management due to the volatility and uncertainties in the current financial/economic world.**

## 6.2 Resource Allocation/Investments –

As mentioned above, we have developed our medium-term strategy based on a number of core guiding principles including - **Investing in Priorities that address community needs and expectations and meet the differing needs and requirements of different sections of the community**

Underpinning our strategy is a continuing commitment that the Council will operate in an **even-handed way and allocate resources fairly** across the Borough. We clearly cannot, however, invest in everything. We have therefore had to take decisions – and are still reviewing some issues and seeking community views about where extra resources need to be put and what, inevitably, will be lesser priorities where we will have to continue either with similar levels of resources as present or where savings can and need to be made.

Within the context of our overall Community and Corporate Priorities, we have identified last year a set of clear and tangible **priority policy objectives** where we feel the Council can and must make a real and positive difference and focus resources – and can only achieve this through extra funding - to improve quality of life and service delivery. Taking account of the current situation in the Borough regarding Housing issues, we are adding an extra priority policy objective which is about **‘Securing affordable, accessible and sustainable Housing’**

In terms of our investment programme for the next two years, we are proposing to continue working within the envelope of our 3 year investment programme approved in March 2008 which runs up to March 2011 – details of the 3 year programme agreed last year plus the additional investment now freed up for Children & Families services ,are summarised in Appendix 2 and the wider capital programme including slippage from earlier years is attached as Appendix 3.

Key aspects of our current strategy and how they link to the wider Community Strategy Priorities agreed by the Local Strategic Partnership (LSP) are set out in the table below:

<b>Priority Policy Objective</b>	<b>Investment Proposals</b>	<b>Link to LSP Community Priorities</b>
<b>Protecting and maintaining services for older people and vulnerable adults and children</b>	<p>Additional £1.2m revenue funding for Adult Social Care Services</p> <p>Reinvesting £250k resources realised through the re-provision of children's homes services to enhance capacity and further improve performance.</p>	<p><i>Giving Children and Young People the Best Possible Start in their Lives</i></p> <p><i>Promoting Healthy Communities and Improving the Quality of Life of Vulnerable and Older People</i></p>
<b>Promoting growth and prosperity</b>	<p>£2.5m for projects to enhance and support the provision of new infrastructure in the Borough (Growth Areas and Growth Points funding)</p> <p>Work is also continuing to be resourced (£560k) and progressed in relation to the redevelopment of Telford Town Centre</p>	<p><i>Transforming Telford &amp; Wrekin</i></p> <p><i>Strengthening the Local Economy and the Skills of Local People</i></p> <p><i>Maintaining a High Quality, Attractive and Sustainable Environment</i></p>
<b>Securing affordable, accessible and sustainable housing</b>	<p>£2.7m for housing supply and affordable housing</p> <p>£700k to support independent living through Disabled Facilities Grants</p> <p>£1m for Extra Care Housing</p>	<p><i>Transforming Telford &amp; Wrekin</i></p> <p><i>Maintaining a High Quality, Attractive and Sustainable Environment</i></p>
<b>Delivering high quality education services and facilities</b>	<p>£11.2m of spend in total in relation to education, early years, extended schools and Youth Services –part of our ongoing commitment to invest in our largest service to the local area and the key to our future prosperity</p> <p>Cabinet, on 24 November 2008, approved the submission to DCSF of our Outline Business Case for our major 'Campus Telford &amp; Wrekin' project which will deliver over £200m of new build and improvement for the Borough's schools</p>	<p><i>Transforming Telford &amp; Wrekin</i></p> <p><i>Giving Children and Young People the Best Possible Start in their Lives</i></p> <p><i>Strengthening the Local Economy and the Skills of Local People</i></p>

<p><b>Regenerating and improving our Borough towns and most deprived communities</b></p>	<p>£1.2m to fund key projects and schemes to support the delivery of our Borough Towns Initiative</p> <p>£2m to support the regeneration of former New Town estates</p> <p>£500k to improve parks and play areas across the Borough</p>	<p><i>Transforming Telford &amp; Wrekin</i></p> <p><i>Strengthening the Local Economy and the Skills of Local People</i></p> <p><i>Creating a Safe, Strong and Cohesive Community</i></p> <p><i>Maintaining a High Quality, Attractive and Sustainable Environment</i></p>
<p><b>Tackling crime , anti-social behaviour and alcohol misuse</b></p>	<p>£500k for replacement and/or provision of new street lights.</p> <p>We are also using the significant resourcing package put together by the Council and Primary Care Trust this year of some £1m to deliver our strategy to address issues of alcohol misuse.</p>	<p><i>Creating a Safe, Strong and Cohesive Community</i></p> <p><i>Promoting Healthy Communities and Improving the Quality of Life of Vulnerable and Older People</i></p>
<p><b>Maintaining, protecting and improving the local environment and our rural areas</b></p>	<p>£3.8m for roads and footways maintenance to address key public concerns over the state of repair of this part the of the local transport infrastructure</p>	<p><i>Transforming Telford &amp; Wrekin</i></p> <p><i>Maintaining a High Quality, Attractive and Sustainable Environment</i></p> <p><i>Creating a Safe, Strong and Cohesive Community</i></p>
<p><b>Enhancing customer services and improving organisational efficiency</b></p>	<p>£1.5m for new ICT systems to improve the quality and efficiency of services provided to the public</p> <p>£1.5m for repair and maintenance and improvement to our buildings</p> <p>£170k for a service redesign team to support the delivery of our savings programme</p>	<p><i>Our Corporate Priority is to be “an efficient, effective and customer-focused Council which delivers value-for-money for the community”</i></p>

As mentioned above, we are currently reviewing impacts on the investment/capital programmes from reduced and delayed capital receipts which we will feed into final budget proposals. In this context, we are currently reviewing, in particular, capital funding priorities and may look to reprioritise projects/initiatives to ensure earlier investment/progression of schemes which can best address economic/housing issues in the Borough – this will be a particular focus for our consultations.

A specific issue that we will be consulting on relates to Concessionary Travel. The Cabinet has been asked to consider, as part of the consultation process for the

2009/10 Budget, funding the use of bus passes from 8.30am. The cost of this extension to the time period when free travel is available to those people eligible for a bus pass is estimated to be up to £1m. Funding such a proposal given the existing commitment to bring down the level of tax rise each year, will require equivalent savings in other council services .

Also, as part of the next budget cycle for 2010/11, we will then be reviewing our investment programme through to 2013 which will need to recognise the potentially significant impacts of the various large corporate investment initiatives affecting us by 2011 but not yet built into financial plans e.g. Building Schools for the Future, Telford Town Centre, Waste Disposal.

### 6.3 Savings

A key element of our overall strategy framework is – **to protect the key frontline services as far as possible in delivering efficiencies and service savings target of at least £3m pa.** The strategy approved in March 2008 agreed an average of £3m pa additional savings through to 2010/11. Further savings beyond that year will inevitably be required and a medium term savings programme is now being put in place to encompass work on a rolling programme of service reviews to:

- Assess relative service and service level priorities against affordable resources
- Consider alternative service provision options
- Streamline service delivery/generate efficiency savings
- Review income generation and external funding opportunities
- Review Invest to Save opportunities
- Review the organisational structures

The proposed £3m savings programme for 2009/10 is attached as Appendix 4 and as each year of additional savings at this level comes forward it will become increasingly difficult to avoid some service impacts.

### 6.4 Attracting External Funding & Investment

We are reviewing how we can more effectively co-ordinate external funding both from within the Council and with our partners. We are also looking at how we can influence more investment into Telford & Wrekin through the region and nationally.

### 6.5 Asset Rationalisation & Disposal Programme

Good asset management plays a role in delivering high quality public services; delivering efficiencies; and in creating a sense of place. Asset & property Management (A&PM), working with service areas will be challenging whether all Council Operational assets are required and also determine if they are fit for purpose to support the service that is being delivered. A&PM have assessed whether the operational assets provide value for money to meet current needs by monitoring property performance. Following completion of a property review, an accommodation strategy will be developed providing direction and a context for future investment and disposal. Once the Council's strategy for asset rationalisation is clear a wider review with partner agencies will be implemented to ensure that properties throughout the whole public sector are used to their maximum. This approach will maximise the use of all public owned buildings resulting in further efficiency savings and supporting high quality service provision to the community across the public sector. There are a

number of initiatives that support the Council's medium term investment package which are linked to asset rationalisation, they relate partly to the Borough Towns Initiative and the Telford Town Centre project.

## 6.6 Balances & Council Tax

Our overall strategy framework proposes .... **Seeking to minimise the level of Council Tax increase but balancing that with meeting the growing demands on Council services and costs, and minimising service cuts.** It also proposes adoption of a prudent strategy for use of balances.

The 3 year strategy approved in March proposed keeping use of balances for the general funding of ongoing revenue costs to below £1m pa, while council tax increases were proposed to fall each year and be below 3.5% by 2010/11. This represents the ceiling for annual decisions and Members will be reviewing options within these parameters. Council tax levels in this area remain the lowest for unitary services in the Midlands.

Appendix 5 summarises the overall balances position of the Council after taking account of the various earmarked reserves and risks faced by the Council. This shows around £6.1m available as part of medium term budget strategy considerations, including £1m already approved for use as an invest to save fund to help the future savings programme being developed-this can be reviewed as part of the process.

The considerable uncertainties faced next year will also need to be allowed for in any strategy so the revenue contingency which currently stands at around £0.6m for next year, after taking account of existing commitments, should be supplemented on a one off basis until the fallout from the international financial instability, plus the impact of the recession and residual inflation are clearer. It is proposed to set up a supplementary one off contingency fund of up to £1m to be funded at least in part from the additional Treasury surplus being generated in the current year and not built into the balances projection above.

It is also proposed to review the adequacy of current provision for capacity to manage the significant investment projects now under way in the council before putting forward final budgetary proposals for balances in February.

## 6.7 Education Services

The Department for Children, Schools and Families (DCSF) announced a Dedicated Schools Grant (DSG) three year budget settlement for schools and further rationalisation of standards related grants in December 2007. Approximately 90% of DSG funding is delegated to schools with the remainder being retained for central expenditure on pupils relating, in the main, to Special Educational Needs (SEN) including behaviour and Early Years.

The table below sets out the average DSG per pupil increases nationally and for Telford and Wrekin for 2008-11:

	2008/09 baseline per pupil £	Per Pupil Increase %	2009/10 baseline per pupil £	Per Pupil Increase %	2010/11 baseline per pupil £	Per Pupil Increase %
T & W	3,910.83	4.3%	4051.55	3.6%	4219.45	4.1%
National	4065.90	4.6%	4217.71	3.7%	4398.02	4.3%

Per pupil allocations for Telford and Wrekin are 4% lower than the national average per pupil (£166.16 less per pupil in 2009/10).

To reflect cost pressures the DCSF has indicated that all schools will receive a minimum per pupil increase of 2.1% over the period 2008-11.

Included within the per pupil sums shown in the table above is additional funding to meet the Governments priority of improving teaching and learning through an extended personalised curriculum for all pupils, however local authorities, in consultation with their School Forums, decide on the distribution of the whole of grant locally (subject to meeting the minimum funding requirement).

The final DSG settlement for each year depends on actual pupil numbers as at January of the prior financial year and are finally determined by June. However, authorities can plan ahead in the knowledge that they will receive a fixed sum for each pupil. In 2008-09 authorities were required to provide indicative budgets to schools for the following two years. Whilst appearing a reasonable settlement actual pupil numbers in January 2008 resulted in a reduction of the final settlement figure by around £400k. This had a significant impact on funding for a number of our schools with falling rolls. The fall in pupil numbers also reduced the amount of funding available to meet the costs of 'Central' expenditure items. Estimates of pupil numbers for the 2009-10 indicative budget indicated a further fall in pupil numbers, our latest estimates whilst slightly better still indicate a loss of at least £800k on the original DSG allocation for 2009-10. This may result in some schools with falling roll facing financial difficulties in managing their position.

The 2008-09 Education budget strategy was delivered by the rationalisation of grant usage and the development of a £800k savings programme in order to address a shortfall of £1m in funding. The latest view of the 2009/10 Education funding position is as follows :

### **Education Budget Overview 2009/10**

	<b>09/10 £m</b>
Total Funding Available	(124.8)
Delegated to Schools	92.8
C&YP Base Budget	21.0
Grant Use	11.0
Pressures Base Budget	0.84
Committed Developments	0.12
<b>Savings Package Required</b>	<b>0.96</b>

## **Other Funding Sources**

In addition to the Dedicated Schools Grant, the portfolio also receives funding for Education from the following sources:

- RSG (£13.1 2009/10)
- Specific ring fenced grants (£9.8m 2009/10)
- Area Based Grants (£5.9m 2009/10)

Education Budget Projections for 2009/10 highlight the following **Pressures and developments**

- Personalisation of teaching and learning
- Out of County education placements
- Impact of more complex needs of pupils on a range of service areas
- Impact of falling pupil numbers on central budgets (loss of funding)
- Deprivation –raising attainment of pupils
- Impact of Single Status costs within schools
- Impact of cessation of one off funding
- Reduction in real terms of other grants
- Full roll-out of Children's Centre developments
- Development of Campus Telford and Wrekin
- Strategic developments around 14-19 agenda

Budget projections indicate pressures and developments of £1.3 m, of which just under £1m is currently unfunded. The portfolio has developed the following budget strategy to address funding shortfall:

### **Education Budget Strategy**

- Review of service delivery to ensure continuing efficient and effective use of resources to meet priorities identified within the Children and Young People's plan
- Review of budget pressures to identify and develop appropriate options to negate identified pressures
- Rationalisation of development bids through a senior management review group process
- Further development of the savings programme using the following criteria:
  - No impact on priority outcomes
  - Maximisation of income streams
  - Ensuring synergy in use of grants and service delivery
- Flexible use of grant funding

A number of savings have been identified which are shown in Appendix 4 as part of the overall savings package. There have been increases in the C&YP element of a number of government grants including the Area Based Grant and Surestart. At this stage a freeze has been placed on allocating these grants to plan priorities pending the outcome of a number of reviews including Special Education Needs (SEN) and Transport.

In summary the Education Strategy is set out below:

Element	2009/10 £m
<b>Savings Package Required B/F</b>	<b>0.96</b>
Savings Package – Appendix 4	0.26
Additional Savings – Transport Review	0.05
Grant Increase Not Allocated	0.65
<b>Total</b>	<b>0.96</b>

## 6.8 Overall Budget Strategy

The projections below are based on current base budget work projected forward with a range of assumptions on service pressures and inflation and for 2011/12 assumptions over the grant increase in the next 3 year settlement over the range of 2-3.5% allowing for some unwinding of grant damping still running at over £5m in 2010/11. The projections only allow for existing approved strategy decisions on investment and savings levels up to 2010/11 and the net funding requirements for 2009/10 and 2010/11 can be met from the existing strategies approved in March 2008 for council tax increases and use of balances.

	2009/10	2010/11	2011/12
	£m	£m	£m
Shortfall b/f	1.23	3.08	4.51
Annual funding requirement	2.51	2.25	3.33-4.39
Agreed Investment Package	2.34	2.18	0.53
<b>Cumulative funding requirement</b>	<b>6.08</b>	<b>7.51</b>	<b>8.37-9.43</b>
Savings	(3.00)	(3.00)	
Cumulative net funding requirement - Council Tax rise/Balances	<b>3.08</b>	<b>4.51</b>	

The overall strategy proposals are therefore to:

- Endorse the existing strategy for council tax increases of year on year reductions in the level of council tax increase falling to below 3.5% by 2010/11
- Endorse the existing strategy of using below £1m pa balances as part of the funding for the ongoing net revenue budget
- Endorse the existing 3 year investment programme with a major review as part of the 2010/11 service & financial planning strategy which will look at 2011/12 and beyond as well
- Agree the £3m savings package for 2009/10 and target of at least £3m for 2010/11.
- Agree the medium term savings programme approach outlined in 6.3
- Endorse the existing provision of £1m set aside from reserves for invest to save though this level can be reviewed as part of the process
- Agree a £1m additional one off contingency to cover the increased uncertainties to which the Council is exposed next year, to be funded primarily from Treasury surpluses being generated in 2008/09.

## **7. NEXT STEPS-CONSULTATION & COMMUNICATION**

As in previous years, consulting and communicating with the community on our future plans will be a key part of the Budget process. Whilst we have already set out a 3-year Service & Financial Planning Strategy based on extensive community consultation, the current economic situation will make it difficult to balance the different elements of the proposed investment package.

For 2009/10, consultation will focus on:

- Revisiting our Budget guiding principles in light of changing economic circumstances;
- Informing any further prioritisation of our investment package, particularly capital investments;
- Seeking views on our proposed approach to the savings package; and
- Informing Council Tax levels.

Our approach will be to begin consultation after the publication of the draft Budget Strategy. Our consultation plan, which is set out in **Appendix 6**, includes a postal survey of the Community Panel and meetings with a wide range of stakeholder groups.

In addition to consulting on the budget, it is vital that we proactively manage communication of the key elements of the Budget. Whilst consultation meetings will help with briefing the main stakeholder groups, a wider communication strategy will be implemented to ensure that the community are kept informed of our proposals and plans.

### **Timetable**

Key dates in the process are:

- Consultation after 8<sup>th</sup> December Cabinet up to early February
- Final Budget proposals agreed by Cabinet 23<sup>rd</sup> February and recommended up to Council
- Budget Approved and Council Tax set 5<sup>th</sup> March

## **8. OTHER IMPLICATIONS**

### **Equal Opportunities**

The Council has specific initiatives within its policy and financial plans to promote equal opportunities, which is at the heart of the Council's policies.

### **Environmental Impact**

The allocation of resources takes specific account of environmental issues facing the Council, in the context of other pressures and priorities.

### **Links with Corporate Priorities and Risk**

The report sets the strategy framework which includes consideration of both community and corporate priorities and the corporate risk register.

## **Financial & Legal Comments**

Costs of the consultation exercises proposed to inform the process can be met from existing one-off resources this year.

This report forms part of the policy planning and budgetary framework that will result in the Council being required to set its budget and Council Tax levels by the March deadline laid down by the Government.

## **Ward Implications**

Borough Wide Strategy.

## **Background Papers**

Financial Planning Model, RSG Papers, Council Plan 2008/09,

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